



New Orleans Firefighter Pension Fund Benchmarking Analysis Presentation to Working Group

Vijay Kapoor
The Kapoor Company
vkapoor@kapoorco.com



Today's Presentation Outline

- Recap from First Meeting (Kapoor)
- Benchmarking (Kapoor)
 - Internal Benchmarking
 - NOLA Police and Non-uniformed pension benefits
 - External Benchmarking
 - Firefighter pension benefits in other cities
- “Levers” for Addressing Fund’s Financial Situation (Segal)
- Pension Plan Governance Best Practices and Structures (Segal)

Recap from First Meeting



Recap from First Meeting

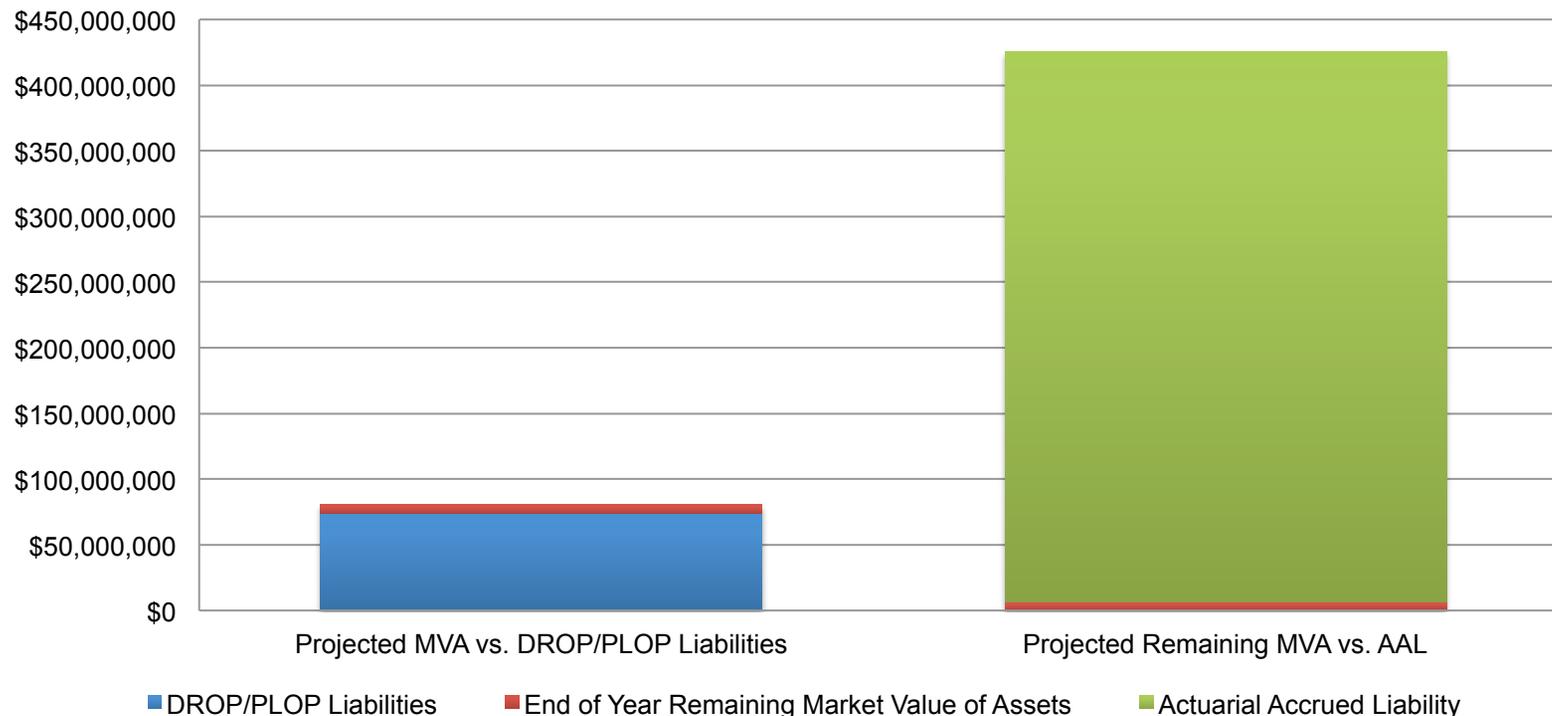
- The New Orleans Firefighters' Pension and Relief Fund (the "Fund") is in critical financial shape for multiple reasons
 - The Fund's financial condition will not get better if simply left alone, but instead will require all parties to work together to find a way forward
- Not only must the Fund's current financial situation be addressed, but the parties must ensure that the factors that contributed to the Fund's critical financial condition do not happen again in the short term or the long term
- Legislative and Board policy changes have begun to address some of these factors
- This presentation and the presentations from the November 11, 2014 Working Group meeting can be found at: <http://nola.gov/firefighters-pension-reform>



Recap from First Meeting – Funded Status

- Using the reported market value of assets and setting aside the monies for the “funded” DROP and PLOP liabilities, by the end of 2014, the Fund will only have money to pay for less than 5% of the pension benefits that active and retired firefighters believe that they have accrued. Effectively, this means that City and active firefighter contributions are simply going in and out to pay for benefits with little opportunity to earn investment return

Projected Fund Financial Condition at End of 2014





Recap from First Meeting – Generational Equity

- Approximately 89% to 90% of the Annual Required Contribution (ARC) stems from pension benefits that active and retired firefighters believe that they have already accrued. This raises considerable “generational equity” concerns
- “Generational equity” is a concept in public finance and pensions that states that taxpayers and employees should fund the services or benefits that they use over their lifetimes. Put a little differently, current and future generations should not have to pay the debts for the services or benefits that previous generations consumed but did not fund
- Severely underfunded pension funds require current and future taxpayers to pay for the services that previous generations enjoyed which constrains the services they can receive. Such situations also typically result in future employees receiving less generous benefits and constraints on compensation (such as reduced salary increases) for current employees. The ability for the government to hire new employees may also be impacted

Benchmarking



Benchmarking Analysis

- The purpose of benchmarking is to provide some context as to how the benefit compares to similar benefits of other employees of the same employer or of similar employees of different employers
- There are no “perfect twins” when evaluating benchmarks – each employer or employee group has some characteristics about their situation or their benefits that makes them different
- The pension benchmarking undertaken here was not a total compensation analysis nor did it consider the relative economic condition of the cities surveyed. Rather, this analysis was a straightforward comparison of the pension benefit elements and employee contributions
- In conducting our analysis, we relied upon publicly available actuarial valuations, summaries of benefits and audits of pension funds. Where information was incomplete or vague, we attempted to contact the respective pension fund or organization for clarification
- Our review was limited to the New Orleans’ Fire “New” Fund

Internal Benchmarking



Internal Benchmarking

- Of the three pension plans in which City employees participate (Fire, Police {MPERS}, and Other Municipal {NOMERS}), the Fire fund has the poorest funded ratio
- The multiplier for the Police plan is the most generous for employees with less than 30 years of service. Once Fire and Police employees reach 30 years of service, under the Fire Pension Fund's interpretation of the multiplier, the benefit calculation is the same
 - Police officers currently and historically have made greater employee contributions than Firefighter and NOMERS employees
 - Police officers and firefighters do not participate in Social Security. NOMERS employees do participate in Social Security
- The Fire Pension Fund allows firefighters to earn “risk-free” (to the individual) interest on their DROP and PLOP accounts after separation, whereas the Police must either elect to receive a money market rate “risk free” or the MPERS’ portfolio rate less 0.5% which may lose money. Firefighters may also participate in both DROP and PLOP
 - City Firefighters have much higher DROP and PLOP liabilities than other City employees
- Over the last 10 years, the Fire plan has provided richer COLAs and its investments have performed worse than the Police and NOMERS plans
- Over the last 5 years, the City has made close to or all of the Annual Required Contribution (ARC) payments for the Police and NOMERS plans, but not for the Fire plan



Internal Benchmarking

City of New Orleans employees are in one of three pension funds

City Employee Group	Fund Name	Actuarial Value of Assets	Market Value of Assets	Funded Ratio Using AAL and Actuarial Value of Assets	Funded Ratio Using AAL and Market Value of Assets (1/1/14)
Firefighters	New Orleans Firefighters' Pension and Relief Fund	\$157,031,636* (1/1/14)	\$84,775,908 (1/1/14)	37.05%* (1/1/14)	20.00% (1/1/14)
Police Officers	Louisiana Municipal Police Employees' Retirement System (MPERS)	\$1,539,218,085 (6/30/13)	\$1,600,532,779 (6/30/13)	64.15% (6/30/13)	66.71% (6/30/13)
All Other Municipal Employees	New Orleans Municipal Employee Retirement System (NOMERS)	\$365,102,483 (1/1/14)	\$372,455,614 (1/1/14)	67.05% (1/1/14)	68.40% (1/1/14)

* Note: Actuarial Value of Assets shown above for Fire plan uses 7 year period (November 11th presentation used 3 year period). Police plan uses 5 year period. NOMERS uses 7 year period. Each methodology for determining actuarial value of assets is slightly different. AAL amounts utilized for Fire, Police and NOMERS based on Entry Age Normal Cost method.



Internal Benchmarking

	Social Security	EE Contribution	Normal Retirement (Age/YOS)	Vesting	Benefit Formula	Basis for Average Final Compensation	Non-scheduled Overtime in AFC?	COLA
New Orleans Firefighters Hired pre-1/1/15 (Fund Interpretation)	No	Members less than 20 YOS: 8% on 1/1/14 & 10% on 1/1/15 Members 20 YOS or more: 3.33% on 1/1/14, 6.66% on 1/1/15 & 10% on 1/1/16. 0% prior to 2014	50	12	2.5% x AFC x YOS For members retiring after age 50 with over 12 YOS: 2.5% for first 12 YOS, then 3 1/3% for each YOS over 12 For members retiring with 30 or more YOS: 3 1/3% x AFC x YOS Maximum 100% of AFC	5 highest consecutive years	No	Ad hoc
New Orleans Firefighters Hired pre-1/1/15 (Alternative Interpretation)	No	Same as above	50	12	For members retiring after age 50 with over 12 YOS: 2.5% for first 12 YOS, then 3 1/3% for each YOS over 12 and age 50 For members retiring with 30 or more YOS: 2.5% for first 12 YOS, then 3 1/3% for each YOS over 12	5 highest consecutive years	No	Ad hoc
New Orleans Firefighters Hired on/after 1/1/15	No	10%	52	12	2.75% x AFC x YOS Maximum 100% of AFC	5 highest consecutive years	No	Ad hoc
New Orleans Police Hired pre 1/1/13	No	7.5% to 10% (currently 10%)	55/12, 50/20 or 25 YOS	12	3 1/3% x AFC x YOS	Highest 36 consecutive months	No	Ad hoc
New Orleans Police Hired on/after 1/1/13	No	7.5% to 10% (currently 10%)	55 or 25 YOS	12	3% x AFC x YOS For members retiring with 30 or more YOS: 3 1/3% x AFC x YOS	Highest 60 consecutive months	No	Ad hoc
New Orleans Municipal Employees	Yes	6%	65/5 or 30 YOS	5	Years 1 – 25: 2.5% Years after 25: 4%	1/1/5: Highest 60 consecutive months	No	Ad hoc



Internal Comparators – DROP/PLOP Components

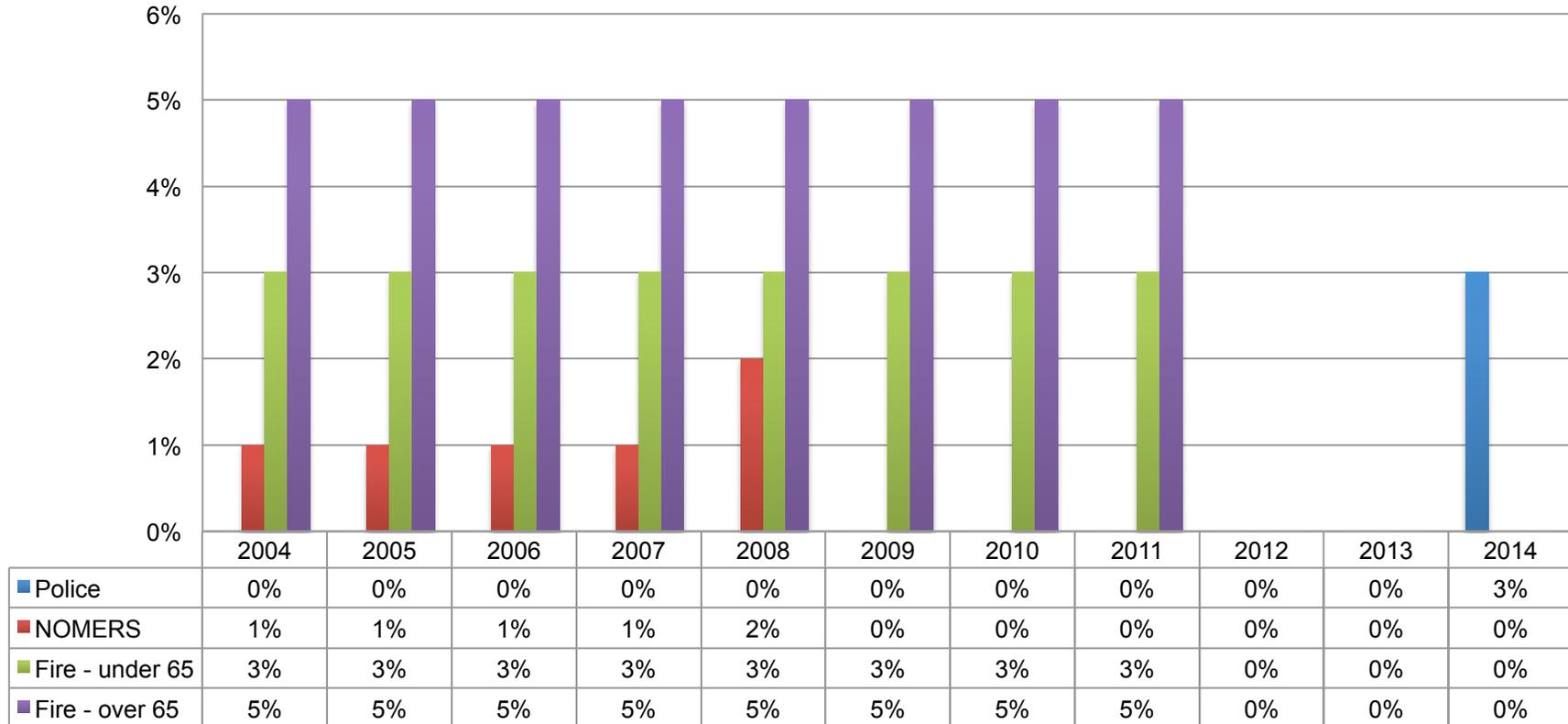
	DROP & PLOP/IBO Benefit?	Ability to Receive Both DROP & PLOP/ IBO?	Ability to Keep DROP/ PLOP/IBO monies in Fund after termination?	Interest Rate on DROP monies remaining in Fund after termination	Interest Rate on PLOP/IBO monies remaining in Fund after termination	Number of Years for DROP
New Orleans Firefighters Hired pre-1/1/15 (Fund Interpretation)	Yes	Yes	Yes	5 year composite rate of return of Fund (cannot lose \$)	5 year composite rate of return of Fund (cannot lose \$)	Up to 5
New Orleans Firefighters Hired pre-1/1/15 (Alternative Interpretation)	Same as above	Same as above	Yes	5 year composite rate of return of Fund (cannot lose \$)	5 year composite rate of return of Fund (cannot lose \$)	Up to 5
New Orleans Firefighters Hired on/after 1/1/15 (Fund Interpretation)	Yes	Yes	Yes	5 year composite rate of return of Fund (cannot lose \$)	5 year composite rate of return of Fund (cannot lose \$)	Up to 5
New Orleans Firefighters Hired on/after 1/1/15 (Alternative Interpretation)	Yes	Yes	Yes	5 year composite rate of return of Fund (cannot lose \$)	None	Up to 5
New Orleans Police Hired pre 1/1/13	Yes	No	Yes	Money market or portfolio rate less 0.5% (can lose \$)	Money market or portfolio rate less 0.5% (can lose \$)	Up to 5
New Orleans Police Hired on/after 1/1/13	Yes	No	Yes	Money market or portfolio rate less 0.5% (can lose \$)	Money market or portfolio rate less 0.5% (can lose \$)	Up to 5
New Orleans Municipal Employees	Yes, unless retired under "Rule of 80"	No	No	n/a	n/a	Up to 5



City Employee Pension Plan COLAs

From 2004 to 2011, retired firefighters received either 3% or 5% annual non-compounded COLAs depending upon their age. NOMERS retirees received 1% compounded COLAs from 2004-2007 and 2% compounded in 2008 as well as “13th checks” since 2009 (not reflected below). Police retirees received their first COLA (3% compounded) in a decade in November 2014

COLAs Granted (2004-2014)



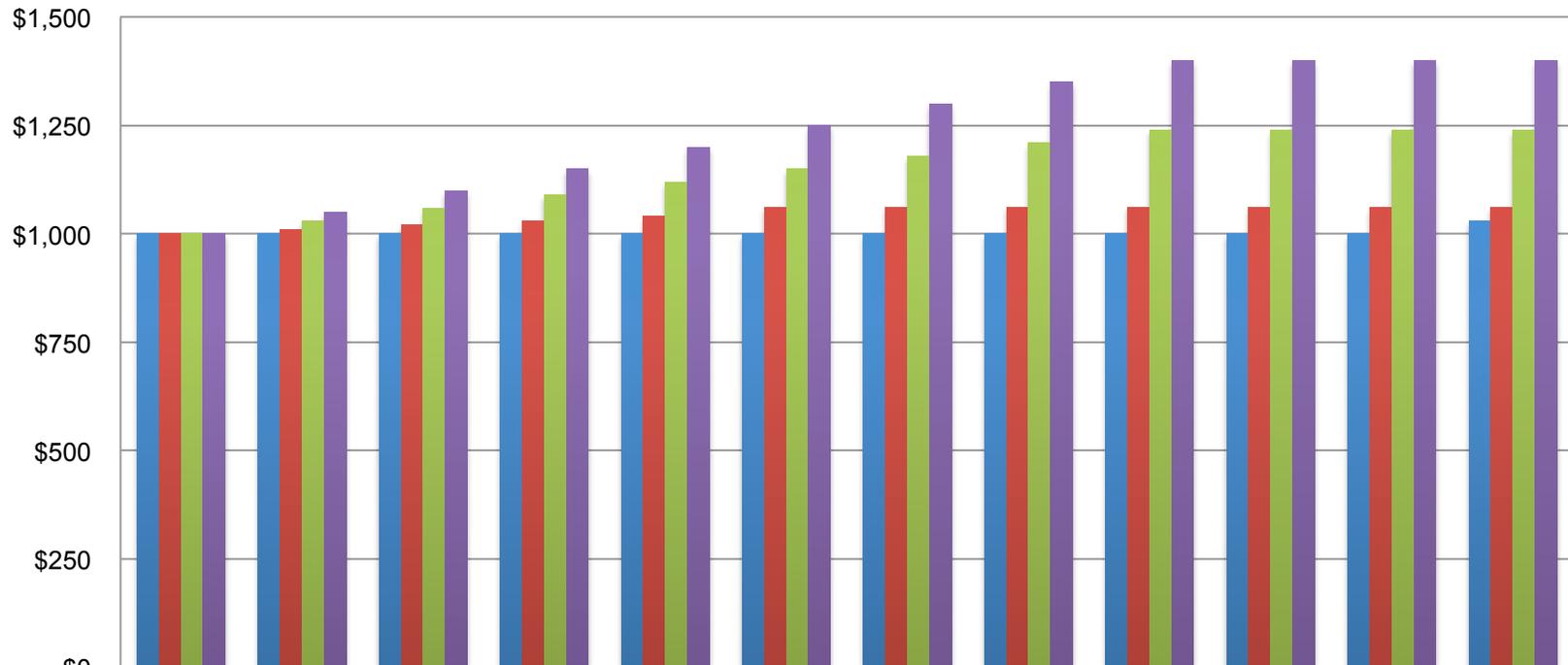
Note: Fire COLAs not compounded. NOMERS COLAs from 2004-2008 were compounded. NOMERS provided “13th checks” from 2009-2014. Police COLA effective November 2014



City Employee Pension Plan COLAs

From 2004 to 2014, as a result of COLAs, the base pension grew by 24% for a retired firefighter under age 65, 40% for a retired firefighter over age 65 and 3% for a retired police officer (any age)

Growth of Base Pension Due to COLA (2004-2014)



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,030
NOMERS	\$1,000	\$1,010	\$1,020	\$1,030	\$1,041	\$1,061	\$1,061	\$1,061	\$1,061	\$1,061	\$1,061	\$1,061
Fire - under 65	\$1,000	\$1,030	\$1,060	\$1,090	\$1,120	\$1,150	\$1,180	\$1,210	\$1,240	\$1,240	\$1,240	\$1,240
Fire - over 65	\$1,000	\$1,050	\$1,100	\$1,150	\$1,200	\$1,250	\$1,300	\$1,350	\$1,400	\$1,400	\$1,400	\$1,400

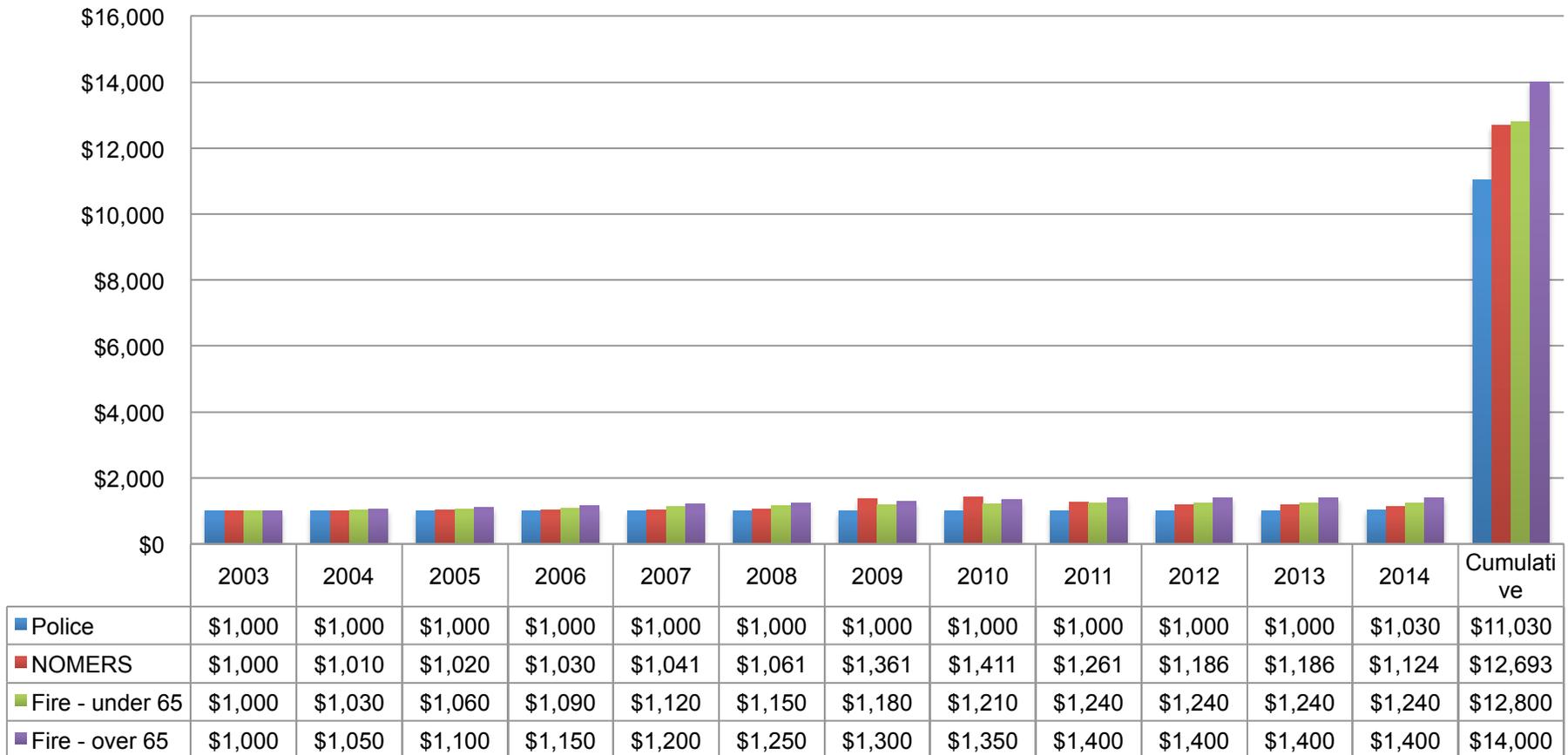
Note: NOMERS provided "13th checks" from 2009-2014. Police COLA effective November 2014



City Employee Pension Plan COLAs

From 2004 to 2014, as a result of COLAs or “13th Checks,” police retirees saw a cumulative impact of less than 1%, NOMERS retirees retired 10 years of 15.4%, fire retirees under age 65 of 16.4% and fire retirees over age 65 of 27.3%

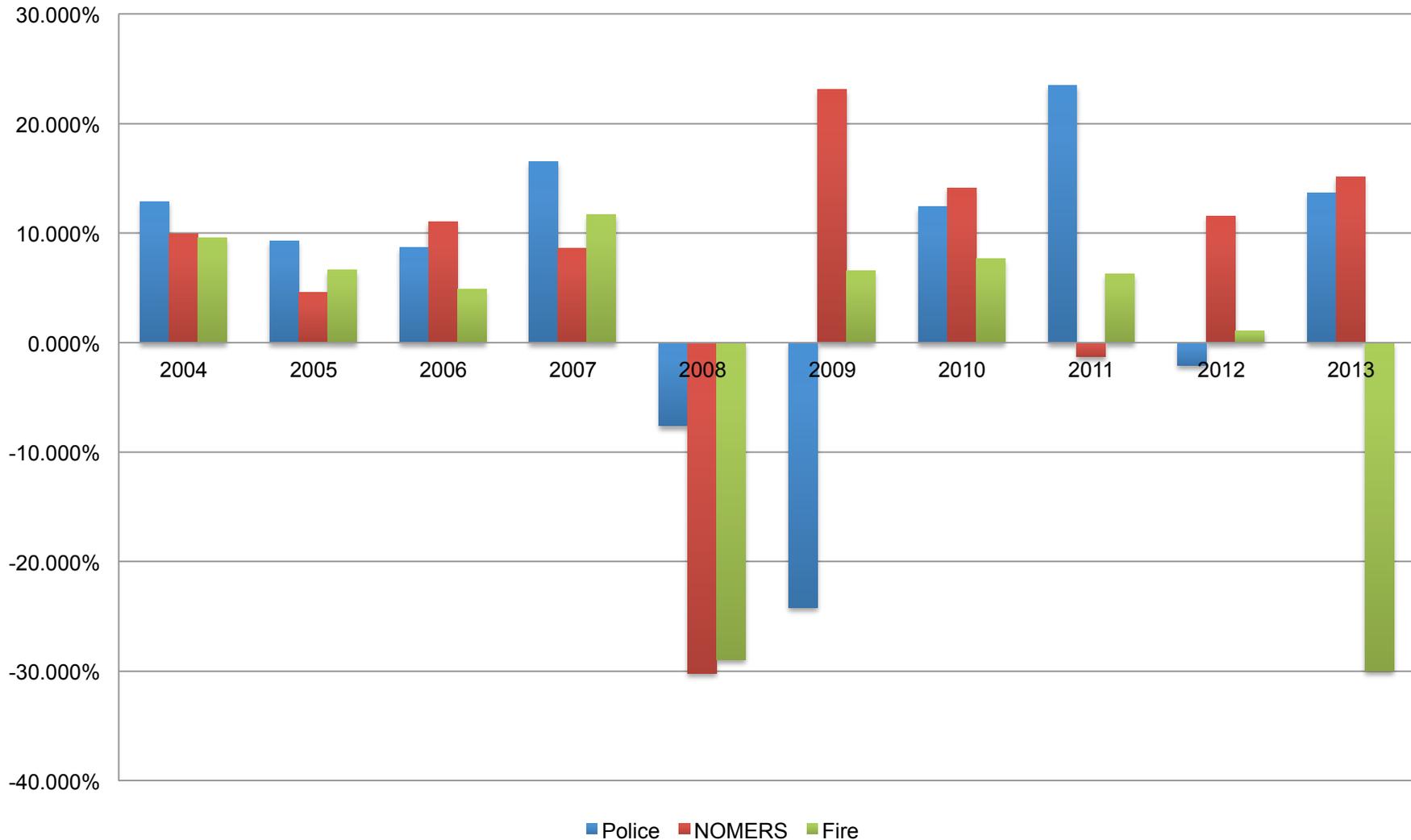
Cumulative Impact of COLAs on \$1,000/yr. (2004-2014)





Investment Returns of City Employee Pension Plans

Market Value of Investment Return (2004-2013)



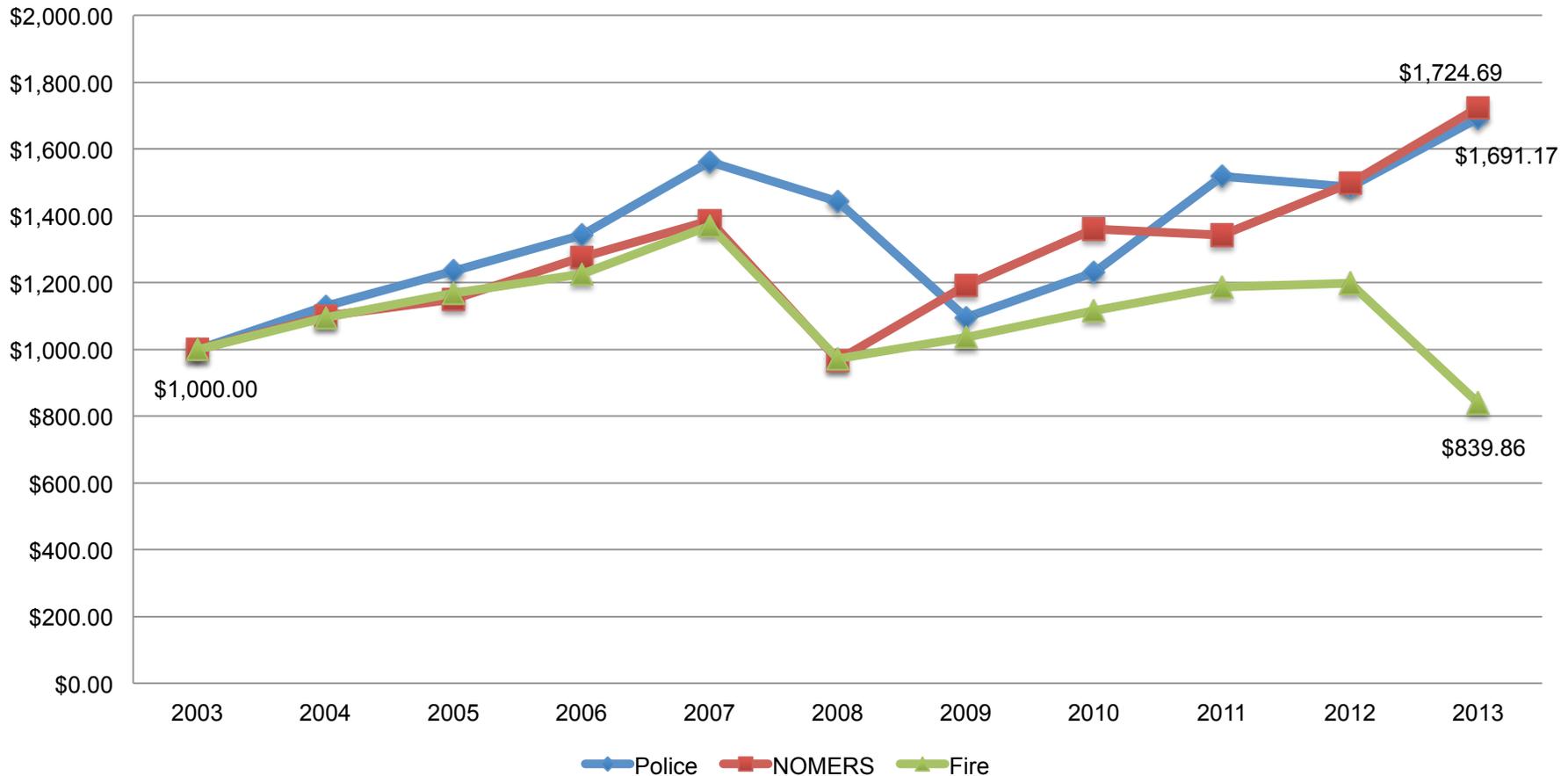
Note: Police return as of June 30th. NOMERS and Fire return as of December 31st.



Investment Returns of City Employee Pension Plans

From 2004 through 2013, NOMERS and MPERS investments gained 72.5% and 69.1% respectively while those in the Fire plan lost 16%

Value of \$1,000 Invested (2004-2013)



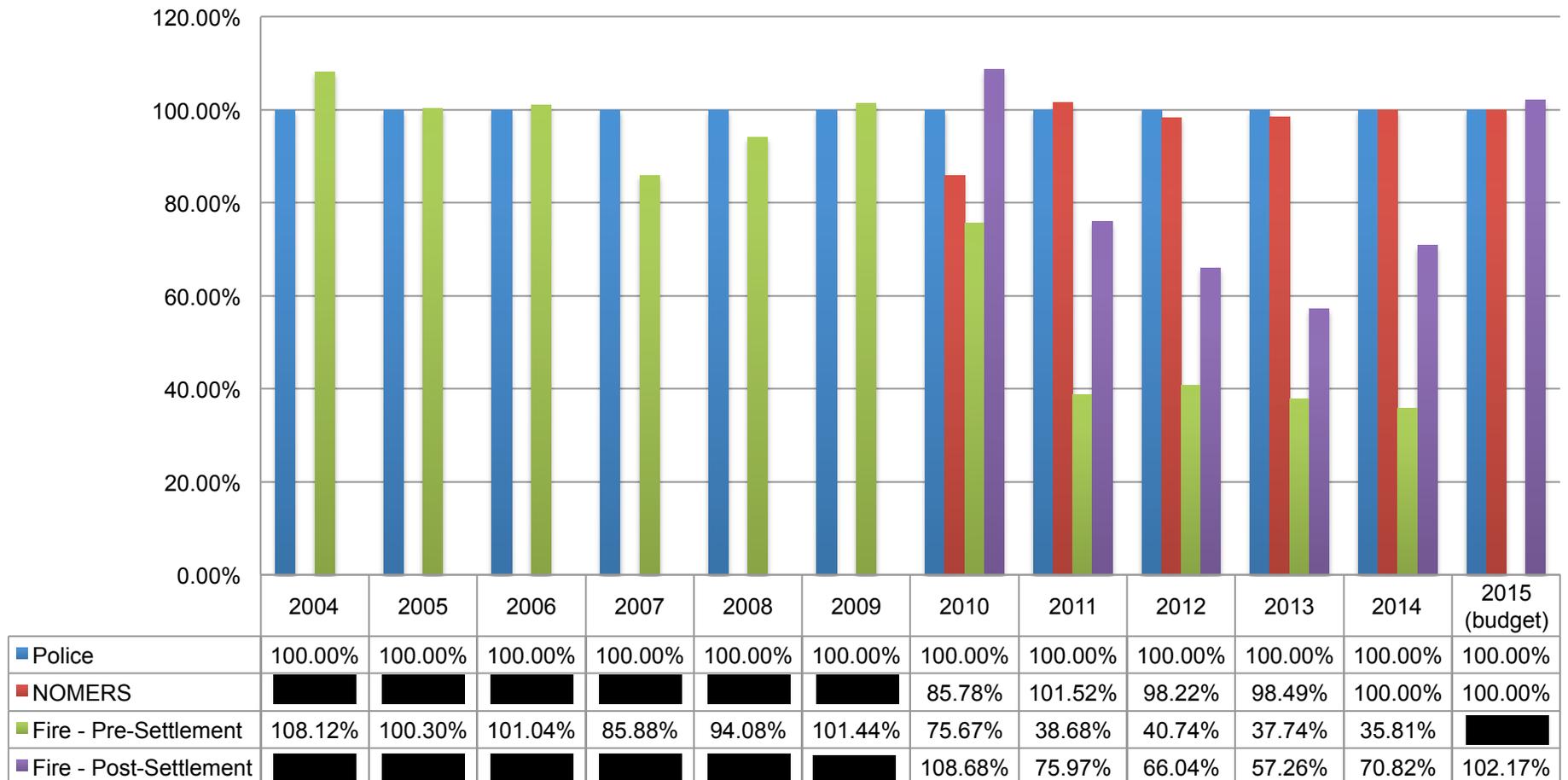
Note: Police return as of June 30th. NOMERS and Fire return as of December 31st.



ARC Contributions to City Employee Pension Funds

Over the last 5 years, the City has made close to or all of its share of the the Annual Required Contribution (ARC) payments for the Police and NOMERS plans, but not for the Fire plan. From 2004-2009, the City did make close to or all of the Fire plan ARCs

Percentage of ARC Contributed (2009-2013)



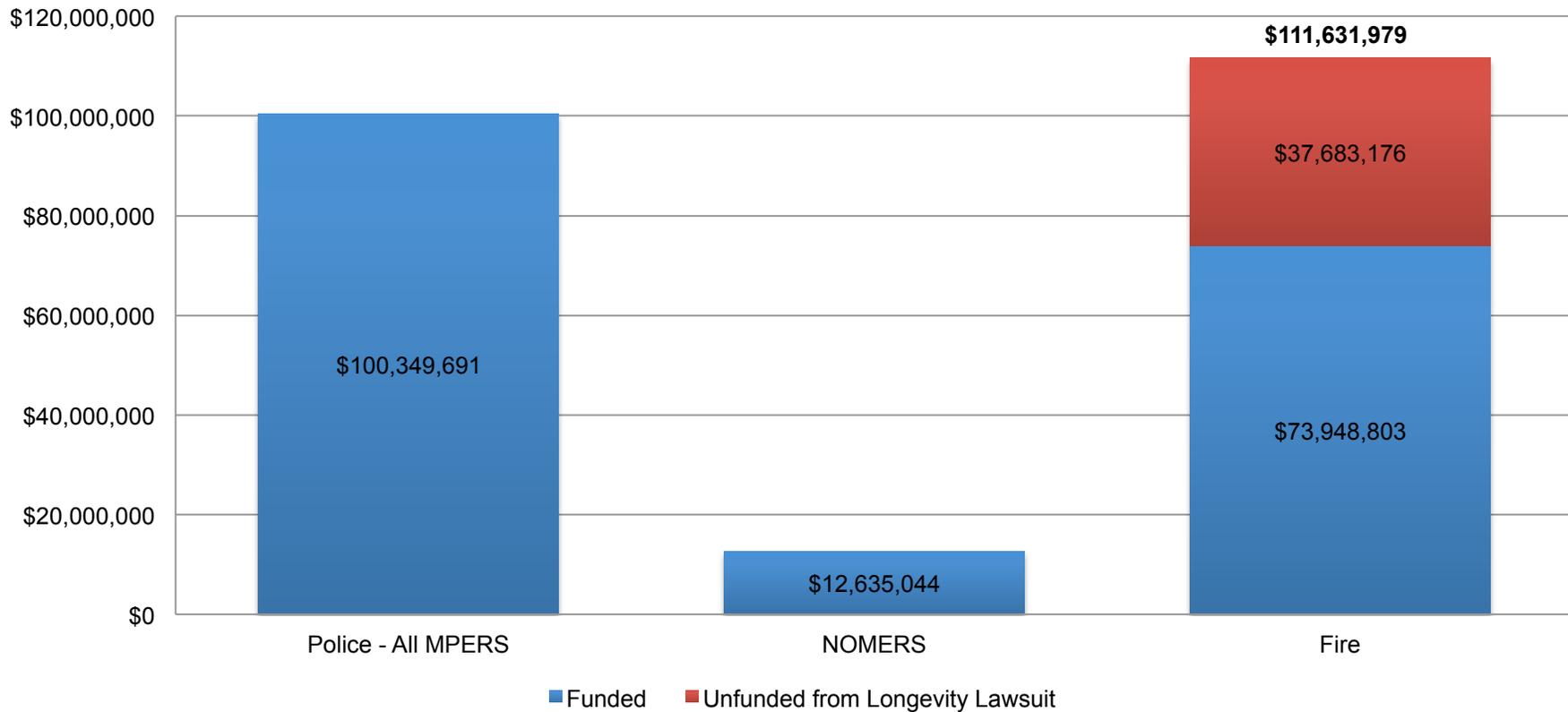
Note: Above reflects ARC payments made in respective fiscal year for prior year's ARC. Per consent judgment of 12/4/14, City owes \$19,864,457 for 2010-2013 and \$11,563,417 for 2014 (subject to adjustment). City has already paid \$4,600,000 which is reflected in 2014 ARC above.



DROP and PLOP/IBO Liabilities of City Plans

As of 2013, the funded DROP and PLOP/IBO liabilities in the entire MPERS plan (police) were \$100,349,691, for NOMERS \$12,635,044 and for New Orleans Fire \$73,948,803. Total Fire DROP/PLOP liabilities, including unfunded from longevity lawsuit, is \$111,631,979

DROP and PLOP/IBO Liabilities (2013)



MPERS data represents assets creditable to DROP and IBO accounts from p. 21 of 6/30/13 actuarial valuation. Data is as of June 30, 2013. MPERS could not isolate DROP/IBO for New Orleans police officers. NOMERS data represents net present value of DROP accounts from p. 9 of 2014 actuarial valuation. Fire from 2013 Fund Audit pages 2, 18, and 38. NOMERS and Fire data is as of December 31, 2013.

External Benchmarking



Benchmarking

- We examined the retirement benefits for fire fighters in cities with less than 1 million but more than 250,000 population in the southeastern US including Texas. Additionally, the plan members must not participate in Social Security
- The Social Security filter eliminated:
 - Greensboro, NC
 - Louisville, KY
 - Nashville, TN
 - Orlando, FL
 - Raleigh, NC
 - Virginia Beach, VA

System Name	
New Orleans, LA	New Orleans Firefighters' Pension and Relief Fund
Arlington, TX	Texas Municipal Retirement System
Atlanta, GA	City of Atlanta Firefighters' Pension Plan
Austin, TX	Austin Firefighters Relief and Retirement Fund
Baton Rouge, LA	Employees' Retirement System for the City of Baton Rouge and Parish of East Baton Rouge
Birmingham, AL	City of Birmingham Retirement & Relief System and the Firemen's and Policemen's Supplemental Pension System
Charlotte, NC	Charlotte Firefighters' Retirement System
Corpus Christi, TX	Corpus Christi Fire Fighters' Retirement System
El Paso, TX	El Paso Firemen's Pension Fund
Ft. Worth, TX	City of Fort Worth Pension Plan
Jacksonville, FL	Jacksonville Police and Fire Pension Fund
Lexington, KY	Lexington-Fayette Urban County Government Policemen's and Firefighters' Retirement Fund
Louisiana (State)	Firefighters' Retirement System
Memphis, TN	City of Memphis Retirement System
Miami, FL	City of Miami Fire Fighters' and Police Officers' Retirement Trust
Tampa, FL	City of Tampa, Florida Firefighters and Police Officers Pension Fund



External Benchmarking

- New Orleans Firefighters generally have more generous multipliers, lower employee contributions, and longer DROP periods than other non-Louisiana benchmarks
- Compared to other Louisiana firefighter plans (Baton Rouge and the state Firefighter Retirement System), New Orleans Firefighters have comparable benefit calculations depending upon years of service but lower employee contributions
 - Baton Rouge firefighters have a maximum pension of 90% of average final salary however overtime is included in their calculation
 - Baton Rouge and Louisiana firefighters in the state retirement system contribute 9.5% and 10% of their salaries respectively. Currently, New Orleans firefighters with less than 20 years of service contribute 8% (increasing to 10% on 1/1/15) and those with 20 years of service or more contribute 3.33% (increasing to 6.66% on 1/1/15 and 10% on 1/1/16)



Benefit Plan Design

	EE Contribution	Normal Retirement (Age/ YOS)	Vesting	Benefit Formula	Basis for Average Final Compensation (AFC)	Overtime in AFC?
New Orleans Firefighters Hired pre-1/1/15 (Fund Interpretation)	Members less than 20 YOS: 8% on 1/1/14 & 10% on 1/1/15 Members 20 YOS or more: 3.33% on 1/1/14, 6.66% on 1/1/15 & 10% on 1/1/16	50	12	2.5% x AFC x YOS For members retiring after age 50 with over 12 YOS: 2.5% for first 12 YOS, then 3 1/3% for each YOS over 12 For members retiring with 30 or more YOS: 3 1/3% x AFC x YOS Maximum 100% of AFC	5 highest consecutive years	No
New Orleans Firefighters Hired pre-1/1/15 (Alternative Interpretation)	Members less than 20 YOS: 8% on 1/1/14 & 10% on 1/1/15 Members 20 YOS or more: 3.33% on 1/1/14, 6.66% on 1/1/15 & 10% on 1/1/16	50	12	2.5% x AFC x YOS For members retiring after age 50 with over 12 YOS: 2.5% for first 12 YOS, then 3 1/3% for each YOS over 12 and age 50 For members retiring with 30 or more YOS: 2.5% for first 12 YOS, then 3 1/3% for each YOS over 12	5 highest consecutive years	No
New Orleans Firefighters Hired on/after 1/1/15	10%	52	12	2.75% x AFC x YOS Maximum 100% of AFC	5 highest consecutive years	No



Benefit Plan Design

	EE Contribution	Normal Retirement (Age/ YOS)	Vesting	Benefit Formula	Basis for Average Final Compensation (AFC)	Overtime in AFC?
Arlington, TX	7%	60/5 or 20 YOS	5 years	Cash Balance plan: Employer contributes 2x employee contribution	n/a	Yes
Atlanta, GA (pre 9/1/11 hires)	No beneficiary – 12% With beneficiary – 13%	55/10 or 30 YOS	Hired before 7/1/10 – 10 years Hired on/ after 7/1/10 – 15 years	3% x AFC x YOS Maximum 80% of AFC	3 highest consecutive years	No
Atlanta, GA (post 9/1/11 hires)	8% (DB) + 3.75% (DC) = 11.75%	57	Same	1% x AFC x YOS (80% max)	10 highest consecutive years	No
Austin, TX	15.7%	Age 50 or 25 YOS	10 years (min age of 50 or when FF would have reached 25 YOS)	3.3% of AFC x YOS	Monthly Average of Highest 36 months	No
Baton Rouge, LA	9.5%	Full: 25 YOS Min: Age 55 with 10 YOS or 20 YOS	10 years	Full: 3% x AFC x YOS Min: 2.5% x AFC x YOS Max of 90% AFC	Average compensation during the highest 36 consecutive months of Creditable Service.	Yes
Birmingham, AL	11.72%	20 YOS	20 years	50% x AFC with 20 YOS + .5% for each year above 20 YOS	Highest 3 of last 10 years	No
Charlotte, NC	12.65%	50/25; 60/5; Any/30	5 years	2.6% x AFC x YOS	Highest 2 years within the last 5 years of membership service.	No

Notes:

Birmingham: Employee contributions include 5.22% contribution for Supplemental Pension Plan (SPP) and 6.5% for the Retirement & Relief Plan (R&R). Benefits shown for employees in the SPP. The SPP benefit ends on the date the employee would have attained 30 years of service had they continued working. At that time the benefit payable under R&R System commences. The R&R System benefit provides Police Officers and Firefighters with 75% of their final monthly salary.



Benefit Plan Design

	EE Contribution	Normal Retirement (Age/YOS)	Vesting	Benefit Formula	Basis for Average Final Compensation (AFC)	Overtime in AFC?
Corpus Christi, TX	12.2%	54/20	10 years	Greater of 50.8% + \$137/mo. for each YOS over 20 or \$137/mo. for each YOS	Highest 60-month average pay	Yes
El Paso, TX (pre-7/1/07 hires)	15.28%	45/20	10 years	2.75% x AFC x YOS not to exceed 77% of AFC	Average of monthly wages in 36-month period preceding retirement	Yes
El Paso, TX (post-7/1/07 hires)	15.28%	50/25	10 years	2.5% x AFC x YOS	Average of monthly wages in 36-month period preceding retirement	No
Ft. Worth, TX (enacted reforms)	8.25%	Rule of 80	5 years	Service prior to 1/1/15: 3% Service on/after 1/1/15: 2.5%	Highest 5 consecutive years	No
Jacksonville, FL (current plan)	7%	20 YOS	5 years	For first 20 YOS 3%, thereafter 2% Maximum of 80%	Last 24 months preceding retirement	No
Jacksonville, FL (reform - incumbents)	8% increasing to 10%	20 YOS	5 years	For first 20 YOS 3%, thereafter 2% Maximum of 80%	Employees with less than 10 YOS as of 10/1/14: Last 48 months of employment Employees with 10 YOS or more as of 10/1/14: Last 24 months of employment	No
Jacksonville, FL (reform - new hires)	10.0%	30 YOS	10 years	2.5% x AFC x YOS Max of 75% AFC	Last 60 months of employment	No



Benefit Plan Design

	EE Contribution	Normal Retirement (Age/YOS)	Vesting	Benefit Formula	Basis for Average Final Compensation	Overtime in AFC?
Lexington, KY (pre 7/1/13 hires)	12.0%	41/20	20	2.5% x AFC x YOS	Highest 3 consecutive years	No
Lexington, KY (hired on/after 7/1/13)	12.0%	50/25	25 years (min. age of 50)	2.25% x AFC x YOS	Highest 3 consecutive years	No
Louisiana FRS (State)	8% to 10% (currently 10%)	55/12, 50/20, 25 YOS	12 years	3 1/3% x AFC x YOS Maximum 100% AFC	Highest 36 consecutive months	Yes (scheduled OT only)
Memphis, TN (pre-7/1/12 hires)	8.0%	55/10 or 25 YOS	10 years	2.25% of AFC x YOS before 1/1/90 up to 25 + 2.5% x AFC x YOS after 1/1/90 up to 25 + 1% of AFC x YOS above 25	Highest 3 consecutive years	No
Memphis, TN (hired on/after 7/1/2012)	8.0%	55/10 or 25 YOS	10 years	2.25% of AFC x YOS up to 25 + 1% of AFC x YOS above 25	Highest 3 consecutive years	No
Miami, FL	10%	50/10 or Rule of 68	10 years	For service up to 9/30/10: 3% for first 15 YOS, then 3.5% for service after 15 YOS For service on/after 10/1/10: 3% Maximum 100% of AFC Reductions of between 7.5% and 30% for election of BAC DROP	Highest 5 years	No
Tampa, FL	Varies annually. Currently 12.9%. Was 13.26% in 2013	46/10 or 20 YOS	10 years	3.15% of AFC x YOS Maximum 100% of AFC	Highest 3 of last 10 years of service	Yes to a maximum of 300 hours



External Benchmarks – Normal Retirement Benefit Calculation

Current New Orleans firefighters are one of the few groups that can receive a pension of 100% of AFC after 30 years of service

	20 YOS	25 YOS	30 YOS	Maximum	Years to Maximum
Miami, FL - Incumbents Hired Before 10/1/10*	68.5%	86%	100%	100%	29
Louisiana (State)	66.67%	83.3%	100%	100%	30
New Orleans Fire - Incumbents (Fund Interpretation)	50%	73.3%	100%	100%	30
Austin, TX	66%	82.5%	99%	100%	31
Tampa, FL	63%	78.75%	94.5%	100%	32
Baton Rouge, LA	50%	75%	90%	90%	30
Ft. Worth, TX - Incumbents (enacted reforms)	60%	75%	90%	100%	34
Miami, FL - Hired after 10/1/10	60%	75%	90%	\$100,000/yr.	n/a
New Orleans Fire - Incumbents (Alternative Interpretation)	50%	62.5%	90%	100%	33
New Orleans Fire - Hired After 1/1/15	55%	62.5%	90%	100%	37
Atlanta, GA - Pre 9/11/11 Hires	60%	75%	80%	80%	27
Jacksonville, FL - Current Plan	60%	70%	80%	80%	30
Jacksonville, FL - Incumbents - Reform	60%	70%	80%	80%	30

Assumed all firefighters hired at age 25

* Assumed retirement as of 9/30/14



External Benchmarks – Normal Retirement Benefit Calculation (continued)

	20 YOS	25 YOS	30 YOS	Maximum	Years to Maximum
Charlotte, NC	-	65%	78%	100%	39
El Paso, TX - Pre 7/1/07 Hires	55%	68.75%	77%	77%	30
Birmingham, AL	50% for 10 years, then 75%	52.5% for 5 years, then 75%	75%	75%	30
El Paso, TX - Post 7/1/07 Hires	50%	62.5%	75%	100%	40
Ft. Worth, TX - Post 1/1/15 Hires (enacted reforms)**	50%	62.5%	75%	100%	40
Jacksonville, FL - New Hires - Reform	50%	62.5%	75%	75%	30
Lexington, KY - Pre 7/1/13 Hires	50%	62.5%	75%	100%	40
Lexington, KY - Post 7/1/13 Hires	-	56.25%	67.5%	100%	45
Memphis, TN - Pre 7/1/12 Hires***	-	62.5%	67.5%	72.5%	35
Memphis, TN - Post 7/1/12 Hires	-	56.25%	61.25%	72.5%	42
Corpus Christi, TX	50.80%	50.8% + \$685/month	50.8% + \$1,370/month	n/a	n/a
Atlanta, GA - Post 9/1/11 Hires	20%	25%	30%	n/a	n/a
Arlington, TX	n/a	n/a	n/a	n/a	n/a

Assumed all firefighters hired at age 25

** Assumed all service prior to 1/1/15

*** Assumed hired 1/1/1990



External Benchmarks – Employee Contribution

Current New Orleans firefighters with 20 or more years of service have the lowest employee contribution of all of the external benchmarks surveyed

Employee Contribution (2014)	
Austin, TX	15.70%
El Paso, TX - Pre 7/1/07 Hires	15.28%
El Paso, TX - Post 7/1/07 Hires	15.28%
Atlanta, GA - Pre 9/11/11 Hires	13% - with beneficiary; 12% - without
Tampa, FL	12.9% (variable)
Charlotte, NC	12.65%
Corpus Christi, TX	12.20%
Lexington, KY - Pre 7/1/13 Hires	12%
Lexington, KY - Post 7/1/13 Hires	12%
Atlanta, GA - Post 9/1/11 Hires	11.75%
Birmingham, AL	11.72%
Jacksonville, FL - New Hires - Reform	10%
Louisiana (State)	10%
Miami, FL - Incumbents Hired Before 10/1/10	10%
Miami, FL - Hired after 10/1/10	10%
New Orleans Fire - Hired After 1/1/15	10%
Baton Rouge, LA	9.50%
Ft. Worth, TX (enacted reforms)	8.25%
Jacksonville, FL - Incumbents - Reform	8% increasing to 10%
New Orleans Fire - Less than 20 YOS	8% increasing to 10% on 1/1/15
Memphis, TN - Pre 7/1/12 Hires	8%
Memphis, TN - Post 7/1/12 Hires	8%
Arlington, TX	7%
Jacksonville, FL - Current Plan	7%
New Orleans Fire - 20 or more YOS	3.33% increasing to 6.66% on 1/1/15, then 10% on 1/1/16

Percentages applied to pensionable compensation.



Post-Retirement COLA

- Most plans in the group had an “ad hoc” cost-of-living-adjustment (“COLA) meaning that the respective fund’s board has the discretion to award a COLA
- Plans which have an “automatic” COLA are usually tied to the Consumer Price Index
- In some cases, funds provided a “13th check” which is a one-time supplemental payment that does not go into the base pension calculation

Post-Retirement COLA Structure	
New Orleans, LA	Ad hoc
Arlington, TX	50% of CPI on annuity
Atlanta, GA	Current employees – CPI up to 3%; New employees – CPI up to 1%
Austin, TX	Ad hoc
Baton Rouge, LA	Ad hoc. Supplemental Benefit Payment based on point system awarded based on years retired and years of service. No payments until after 5 years retired (generally 8 if in DROP)
Birmingham, AL	Ad hoc
Charlotte, NC	Ad hoc
Corpus Christi, TX	Ad hoc
El Paso, TX	Pre 7/1/07 hires: Automatic 3% upon reaching age 60 Post 7/1/07 hires: None
Ft. Worth, TX	Ad hoc
Jacksonville, FL	(Reform) New hires: Lesser of 1.5% or Social Security COLA Current employees: 3%
Lexington, KY	Automatic: Annual pension <\$40k: 2.0% \$40k - \$75k: 1.5%: \$75k - \$100k: 1.0% >\$100k: 0.0% until 1/1/2016, then 1.0%
Louisiana (State)	Ad hoc
Memphis, TN	Ad hoc
Miami, FL	Ad hoc based on investment earnings
Tampa, FL	Benefits increased or decreased based on net change in average CPI from previous year subject to adjustment account; 13 th check



Deferred Retirement Option Programs

	Eligibility	Max Duration	Interest Credit During DROP Period	Keep DROP with Fund After Termination and Earn Interest?
New Orleans, LA	12 YOS (May Back-DROP)	5 years	(5 year composite rate of return of Fund less admin fee of <2% if charged- cannot lose \$)	Yes (5 year composite rate of return of Fund less admin fee of <2% if charged- cannot lose \$)
Arlington, TX	n/a	n/a	n/a	n/a
Atlanta, GA	n/a	n/a	n/a	n/a
Austin, TX	Normal Ret: Age 50 or 25 YOS Early Ret: Age 45 and 10 YOS or 20 YOS	7 Years	5%	Yes (5%)
Baton Rouge, LA	Age 55 with 10 YOS	Less than 25 YOS: 3 years; 25 or more YOS: 5 years	5 year rolling geometric average (no loss)	Yes (Most recent 5 years of investment returns less 1%). Technically could go negative, but Fund would declare 0% that year
Birmingham, AL	26 YOS (Back-DROP)	3 years	5%	Pending confirmation
Charlotte, NC	n/a	n/a	n/a	n/a
Corpus Christi, TX	For max: Age 57/23 YOS (Back-DROP)	3 years	n/a	No
El Paso, TX	Pre 7/1/07 hires: 50/20 Post 7/1/07 hires: 50.5/25 (Back-DROP)	Not less than 6 months nor more than 36 months	n/a	No



Deferred Retirement Option Programs

	Eligibility	Max Duration	Interest Credit During DROP Period	Keep DROP with Fund After Term and Interest?
New Orleans, LA	12 YOS (May Back-DROP)	5 years	(5 year composite rate of return of Fund less admin fee of <2% if charged- cannot lose \$)	Yes (5 year composite rate of return of Fund less admin fee of <2% if charged- cannot lose \$)
Ft. Worth, TX	Normal retirement (Rule of 80)	Between 1 and 5 years	None	Yes (None)
Jacksonville, FL	Current: 20 YOS New hires: Abolished forward DROP (provides Back-DROP)	Up to 5 years depending upon date of election	Current: 8.4% Reform: Actual Fund ROR (floor of 5% and cap of 10%)	Yes (Pending Confirmation)
Lexington, KY	n/a	n/a	n/a	n/a
Louisiana (State)	20 YOS	3 years	None	Yes (Same as investment return. Could lose money. Could elect money market)
Memphis, TN	25 YOS	3 years	25% of the 90-day Treasury Bill yield	Pending Confirmation
Miami, FL	50/10 or Rule of 68 (May Back-DROP with reduced benefit)	4.5 years	Self-directed	Pending Confirmation
Tampa, FL	20 YOS	5 years	Same as investment return. Could lose money	Pending Confirmation



External Benchmark Trends

- Atlanta, GA (all employee groups)
 - Utilized a task force to study addressing pension liabilities in 2009 with consensus reached in 2011
 - Enacted changes included the implementation of a hybrid plan (employees choosing to remain in defined benefit plan required to pay 5% more), increasing normal retirement age by two years, and reducing the COLA for new employees
- Lexington, KY (police and fire employees)
 - Utilized a task force in 2012 with consensus reached in 2013
 - Enacted benefit changes included replacing automatic 2%-5% COLA with tiered COLAs based on pension amounts, increased employee contributions, introduction of age requirement for normal retirement, lower multiplier for new hires
 - Agreement also replaced ARC calculation with actuarially sound method and required City to fully fund it



External Benchmark Trends

- Fort Worth, TX (fire employees)
 - City Council enacted reforms for currently employed firefighters in October including reducing the multiplier for future service from 3 percent to 2.5 percent, increasing the number of years included in final average salary calculation, and eliminating overtime from the pension calculations (Council had previously enacted similar reforms for new fire hires, police and non-uniformed employees)
- Jacksonville, FL (all employee groups)
 - Utilized a task force in 2013 with consensus reached in 2014. Proposed benefit changes include increasing employee contribution, reducing COLA and multiplier for new hires, reducing DROP interest calculation and increasing the number of years included in final average salary calculation. Agreement also requires City to put an additional \$400 million over 10 years into the fund
 - Reforms passed by City Council on December 9th and now require pension fund board approval (board consists of two employee representatives, two city representatives, and one independent member selected by the parties)

Questions